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Anis ur Rehman,

Ph.D., Assistant Professor, University of Hail, Kingdom of Saudi Arabia

INNOVATION AND MANAGEMENT BY REGIONAL RURAL BANKS IN ACHIEVING THE DREAM OF FINANCIAL INCLUSION IN INDIA: CHALLENGES AND PROSPECTS

Abstract. *The Regional Rural Banks are government-owned, regionally based and rurally oriented financial institutions specialized in catering to the credit needs of the neglected and weaker sections of the society. In the recent past, RRBs have become a potent mediator for financial inclusion in rural areas. This paper summarizes the innovative methods used by the employees of these banks in deposit mobilizations, credit expansion and recovery of the loan. The primary purpose of the research is to find the problems faced by officials of these banks in marketing their services to the rural customer. The opinions of these bank officials regarding the above factors and the functioning of these banks and their impact on society have also been studied. For this purpose, a sample of 96 bank officials of Aryavart bank and Purvanchal Bank have been taken from the rural areas of Uttar Pradesh. Methodological tools of the research methods were Frequency and Chi-square test of independence which have been used to test the hypotheses developed in the study. The research empirically confirms and theoretically proves that the employees and staff of these two regional rural banks in the state are making their earnest effort to channelize the savings of rural people by mobilization of deposits by motivating them to deposit their surplus money in the regional rural banks. The bank officials are making efforts to extend credit facilities in rural areas to uplift the people economically. The bank officials are facing problems in deposit mobilization, and credit expansion in the rural areas of the state and they are managing these problems very efficiently. Some political interference was found in the functioning of these banks. In the opinion of these bank officials, the overall working of these regional rural banks is proper. The results of the research can be useful for policymakers in the government to understand the hurdles faced by regional rural banks in reaching to the poor and needy sections of the society. The insights from this paper can help the policymakers to craft innovative schemes which enable these banks to reach the most inaccessible customers in rural areas.*

Keywords: Regional Rural Banks, deposit mobilizations, credit expansion, financial inclusion, loan recovery.

Introduction. Financial inclusion is an essential measure for achieving inclusive growth in India. However, financial inclusion seems like a long unachievable dream in the current situation. Banks play an active part in rural development and dispersion of financial inclusion. Regional rural banks (RRBs) are very appropriate for accomplishing financial inclusion as they are working at a local level. In the recent past, RRBs have become a potent mediator for financial inclusion in rural areas through introducing the new schemes of No-frills accounts, general credit card (GCC) and simple KYC norms as per RBI guidelines. The Regional Rural Banks are government-owned, regionally based and rurally oriented financial institutions specialized in catering to the credit needs of the neglected and weaker sections of the society. They intend to fill up regional credit and financial gap present in the institutional credit in respect of the rural areas. Because of the low cost of operations, the operational area being in the remotest part of the countryside, and their access to get the credit flow up to the doors of the specified borrowers, Regional Rural Banks are better tailored to meet the credit needs of the rural poor. Keeping this in view, the Banking Commission in its report first recommended the establishment of the rural banks in 1972. Later the working group on rural banks also supported the view expressed by the Banking Commission. Later on, the government of India accepted the recommendation of the Narasimhan working group and accordingly the Regional Rural Bank Ordinance of 1975 was promulgated by the President of India on 26th September 1975. The first five Regional Rural Banks were set up on 2nd October 1975 at Moradabad and Gorakhpur in Uttar Pradesh, Bhiwani in Haryana, Jaipur in Rajasthan and at Malda in West Bengal. Subsequently, the ordinance was replaced by the Regional Rural Bank Act 1976, with no significant changes except clarification on specific issues. According to the preamble of the Act, the Regional Rural Banks were set up for the development of agriculture, industry and other productive activities in rural areas,

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credit and other facilities particularly to marginal farmers, artisans and small entrepreneurs. Figure 1 shows the state-wise index of financial inclusion in India in 2012. This index is determined by three basic dimensions of banking penetration, banking services availability and banking system usage. We find that Uttar Pradesh is in the low level of financial inclusion chart.

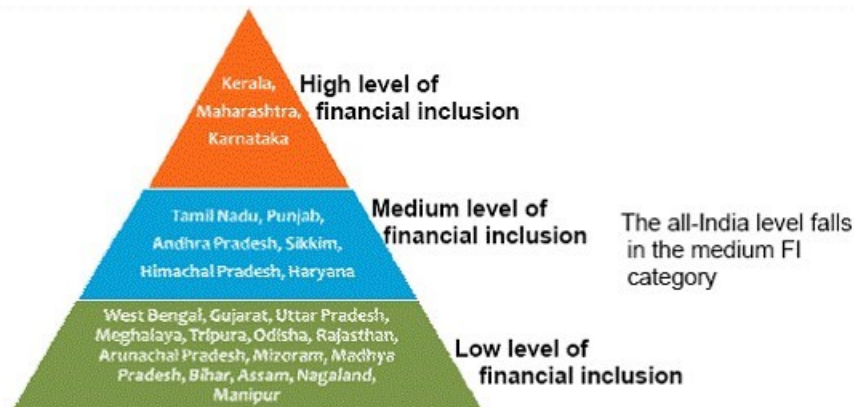


Figure 1. State-wise index of financial inclusion

Source: RBI Working Paper on Financial Inclusion in India: A case study of West Bengal by Sadhan Kumar Chattopadhyay (2011)

Regional Rural Banks are working in the remote areas of the state to achieve their objectives. The staff of the Regional Rural Banks plays an essential role in achieving the objectives of these banks. The people are dynamic elements of any organization. Without people of the proper sort, the objectives of an organization cannot be translated into practice. It is more important to the financial institution which is dealing with the people. This research paper is devoted to studying the different types of problems faced by employees of these two banks in deposit mobilizations, credit expansion, recovery of loan and how they overcome these problems at the time of sanction, disbursal and recovery of the loan. The dedicated team of staff is an asset which actively works for achieving the objectives of their organization. They make a significant contribution to accomplishing the objectives. The follow-up system used by bank officials has also been examined. The performance evaluation, satisfaction with the performance of these banks etc. have also been covered. This study has been focused on two prominent Regional Rural Banks from Uttar Pradesh, namely Aryavart Bank and Purvanchal Bank.

Aryavart Bank was established on 1st April, 2019 after the merger of Gramin Bank of Aryavart and Allahabad UP Gramin Bank, both of them Regional Rural Banks (RRBs). Earlier, Bank of India sponsored Gramin Bank of Aryavart and Allahabad Bank sponsored Allahabad UP Gramin Bank. The new entity Aryavart Bank is now sponsored by Bank of India and works under Regional Rural Banks Act 1976 with its Head Office at Lucknow. In the financial year 2018-19, Gramin Bank of Aryavart has achieved the level of Rs.26213 crore which includes a deposit of Rs.15081 crore and advances of Rs.11132 crore, whereas Allahabad UP Gramin Bank has achieved the level of Rs.17348 crore which includes a deposit of Rs.11285 crore and advances of Rs.6063 crore. It makes the new amalgamated entity Aryavart bank to achieve a total level of Rs. 43561 crores. The Aryavart Bank has 22 regional offices and 1365 branches in rural areas of Uttar Pradesh. It is operating in Agra, Aligarh, Ayodhya, Bahraich, Banda, Barabanki, Chitrakoot, Etah, Farrukhabad, Firozabad, Hamirpur, Hardoi, Hathras, Jalaun, Kannauj, Kasganj, Lakhimpur, Lucknow, Mahoba, Mainpuri, Mathura, Mirzapur, Shravasti, Sitapur, Sonbhadra and Unnao districts of Uttar Pradesh. The foothold of Aryavart Bank in Uttar Pradesh is depicted in Figure 2.

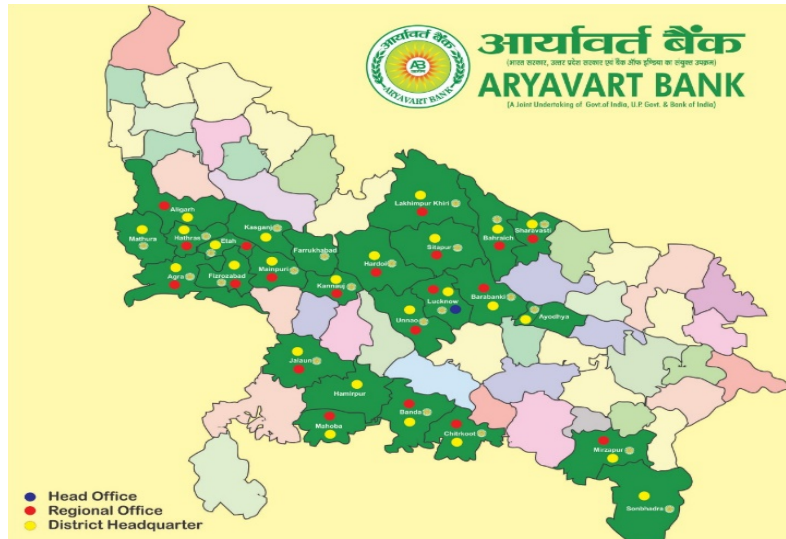


Figure 2. Presence of Aryavart Bank in Uttar Pradesh

Source: website of Aryavart Bank (<http://aryavart-rrb.com/>).

On September 2005, the Government of India amalgamated Gorakhpur Kshetriya Bank and Basti Bank, both well-established RRBs to establish Purvanchal Bank. The head office of Purvanchal Bank is at Gorakhpur. It is sponsored by State Bank of India and jointly owned by Government of India and Government of Uttar Pradesh. The focus area of this bank is the upliftment of rural people by making them self-reliant. The Purvanchal area of eastern Uttar Pradesh has several sugar mills as sugarcane is one of the major crop grown by farmers in this area. These farmers are the key customers of Purvanchal Bank. Purvanchal Bank has achieved the level of Rs.15274 crore during the year 2017-18 which includes a deposit of Rs.11279 crore and advances of Rs.3995 crore. The deposits have witnessed a growth of 7.22% to the tune of Rs.759 crore by achieving the level of Rs.11279 crore. Purvanchal Bank was the top Indian bank amongst all RRBs of State Bank Group in SBI Life business in 2017-18. The Purvanchal Bank has a massive setup of 600 branches spread across eleven districts of Uttar Pradesh through which it is providing services to its customers. Out of these 600 branches, 532 are rural, 47 semi-urban while 21 are urban branches. Purvanchal bank functions in such areas: Gorakhpur, Kushinagar, Ballia, Mau, Santkabirnagar, Maharajganj, Deoria, Basti, Siddharthnagar, Etawah, Auraiya. Reserve Bank of India has proposed a new Baroda UP Bank with the amalgamation of Purvanchal Bank, Kashi Gomti Samyut Gramin Bank and Baroda UP Gramin Bank with Gorakhpur as its Head Office at. The amalgamation is planned on 1st April 2020.

Literature Review. When compared with commercial banks, there is a shortage of literature related to the functioning of the Regional rural banks (RRBs) in India. Nevertheless, the researcher has tried to explore the available literature related to the performance and functioning of RRBs in India. Chalapathy Rao Committee (2002) endorsed that the whole system of Regional rural banks may be merged and some of the sponsor banks may be relieved. Some other approved financial institutions must be added as sponsors. The benefits of the regional character of these institutions must be retained in the entire process. The Purwar Committee (2004) suggested the merger of RRBs into six commercial banks based on region. The committee suggested six banks each for the Northern, Southern, Eastern, Western, Central and North-Eastern Region (NER). Bose (2005) established that the operations of Regional rural banks saw a fast growth during 1976 to 1990 which is recognized as the initiation and expansion phase; these banks

earned substantial profits during 1991 to 2003 which is known as the reform phase, and the recent phase after 2003 witnessed repositioning to strike a balance between feasibility and outreach. Sura (2008) concluded that the rural population has to deal with the menace of indebtedness even today, and they are deceived in the name of the credit facility. The measures such as structural changes in credit organizations and the methods of rural credit have not been able to control the pervasive evil of indebtedness. Ibrahim (2010) established that the performance of RRBs has significantly improved after their merger/amalgamation in 2005-06. Reddy and Prasad (2011) suggested that RRBs have extended a helping hand to rural masses, which led to economic growth in India. They noted that RRBs are not following thorough financial management practices despite their robust performance. Reddy and Padmavathi (2013) noted that Indian government reforms had eased the restrictions and compulsions to get rural credit that existed at the time of inception of RRBs in 1975. They discuss that RRBs have provided credit facilities to rural masses for crop production and allied purposes and have made significant deposit mobilization. Ibrahim (2012) found that RRBs have contributed to the agricultural sector by lending a tremendous amount of credit through the short-term and term-loans. Chakrabarti (2013) noted that nearly half of the Indian population does not have accessibility to related financial services and are primarily reliant on moneylenders. Consequently, there is a need to utilize the RRB network for providing credit to the rural masses. Jarupula (2013) suggested that RRBs have displayed excellent results in key performance indicators such as deposits, loans, capital composition, investment trends, current deposit ratio, NPAs, recovery and financial inclusion.

Malhotra (2002) addressed the impact of location on the performance of RRBs. He pointed out that the performance of RRBs is not affected by their geographical setting. He suggested that the aid received by sponsor banks is vital to RRB performance. Pati (2005) has focused on the economic viability of RRBs in Assam and discovered that they are suffering from problems like loans recovery, higher NPAs, declining profitability and management problems. He recommended that risk and burden should be wisely distributed to overcome these problems. Singh & Singh (2009) inspected the recovery challenges faced by Manipur Rural Bank and found that the chances of loan repayment depend upon the will to repay, constant supervision and follow-up visits, earning adequate returns from credit schemes, etc. Chavan (2004) found that the underprivileged eastern, north-eastern and central regions of India made significant achievements during the social and development banking period. However, the decade of 1990s witnessed reductions in rural credit deposits ratios in the rural branches of eastern and north-eastern states. The financial liberalization policies have further deteriorated the regional inequalities that existed in Indian rural banking.

Methodology and research methods. In order to evaluate the performance of these two regional rural banks in achieving their objectives, primary data have been collected from 96 bank officials. For this purpose, the questionnaire, having multiple-choice questions, has been prepared. The questionnaire meant for bank officials of these two banks has covered the information about deposit mobilizations, credit expansion, recovery of loan and different types of problems faced by them in deposit mobilizations, credit expansion and how they overcome these problems. For selecting the sample size of the 96 bank officials, random sampling method has been used. Percentage and Chi-square test of independence have been used to test the hypotheses developed in the study.

Hypotheses:

H01: Problem of competition from commercial banks is independent of the type of bank.

H02: Problem of lack of knowledge in customers about loan procedure is independent of the type of bank.

H03: Problem of painful procedure of taking a loan is independent of the type of bank.

H04: Political interference in the bank functioning is independent of the type of bank.

H05: Opinion of Regional Rural Banks have the potential to survive in the future is independent of the type of bank.

Results. Profile of Respondents showed in (Table 1-4).

Table 1. Type of bank

Name of Bank	Number of employees	Percentage
Aryavart Bank	51	53%
Purvanchal Bank	45	47%
Total	96	100%

Source: developed by authors.

Table 2. Gender of employees

Gender	Aryavart Bank	Purvanchal Bank	No. of respondents	Percentage
Male	35	24	59	61.45%
Female	16	21	37	38.55%
Total	51	45	96	100%

Source: developed by authors.

Table 3. Experience of bank employees

Experience	Aryavart Bank	Purvanchal Bank	No. of respondents	Percentage
0-5 years	3	1	4	4%
6-10 years	9	8	17	17.7%
11-20 years	11	12	23	23.9%
21-30 years	15	9	24	25%
More than 30 years	13	15	28	29%
Total	51	45	96	100%

Source: developed by authors.

Table 4. Age of bank employees

Experience	Aryavart Bank	Purvanchal Bank	No. of respondents	Percentage
18-30 years	5	7	12	12.5%
31-40 years	19	12	31	32.25%
41-50 years	21	14	35	36.5%
More than 50 years	6	12	18	18.75%
Total	51	45	96	100%

Source: developed by authors.

Deposit mobilization in the rural areas of the state and extending credit and loan to the needy people are the main functions of these banks in the state. The employees and staff of these two regional rural banks in the state are making their earnest effort to channelize the savings of rural people by mobilization of deposits by motivating them to deposit their surplus money in the regional rural banks. The efforts made by the staff of these two regional rural banks have been listed in Table 5. The staff members of these two banks are making personal visits to the potential depositors, educating them the benefits of keeping their savings in these banks and giving personal attention to each depositor to mobilize the deposits. About 47 per cent of staff has taken all these steps to mobilize deposits. About 17 per cent of staff members have made personal visits to the potential depositors in their efforts to mobilize deposits. The other 18 per cent of staff members have explained in detail the benefits of keeping the money in their banks while 16 per cent of officials have given personal attention to each depositor. The bank officials are making every effort to mobilize deposit to an extent.

Table 5. Efforts for deposit mobilizations

Efforts for deposit mobilizations	Frequency
Personal visits to the potential depositors	17
To tell them the benefits of keeping money in banks	18
Giving personal attention to each depositor	16
None of the above	-
All of the above	45

Source: developed by authors.

Problems Faced by Bank Officials in Deposit Mobilization: Deposit mobilization is the most critical aspect of these banks. The bank officials are facing problems in deposit mobilization in the rural areas of the state. The main problems encountered by the banking staff for deposit mobilization are stiff competition from post offices, other commercial banks, lack of knowledge among people how to open an account and long-distance of bank branches from their residences. These are shown in Table 6.

Table 6. Bank officials facing problems in deposit mobilization (rank one for the most challenging problem, second for other and so on)

Ranks	Problems faced by Bank officials in deposit mobilization			
	Competition from the post office	Competition from commercial banks	Lack of knowledge among the people about the opening of a/c	Long-distance of the bank branch
1	25	38	32	7
2	68	16	4	3
3	1	37	46	14
4	2	5	13	72
5	0	0	1	0
Total	96	96	96	96

Source: developed by authors.

The competitions from the post offices have been given highest rank by 25 officials and second-highest rank by another 68 officials. The next significant problem is competition from other commercial banks. This problem has been given the highest rank by 39.5 per cent, the second-highest rank by 16 per cent and third rank by and 38 per cent bank officials. The next problem faced by the bank officials in deposit mobilization is lack of knowledge among rural people concerning the opening of an account with the bank with 33 per cent bank officials giving it first rank. The long-distance from the bank branch is not considered a significant problem as only 7 per cent of bank officials have given it first rank.

H01: Problem of competition from commercial banks is independent of the type of bank (Table 7).

Table 7. Cross-tabulation: competition from commercial banks for different banks

Competition from commercial banks	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Total
Aryavart Bank	20	11	16	4	0	51
Purvanchal Bank	18	5	21	1	0	45
Total	38	16	37	5	0	96

Source: developed by authors.

As shown in Table 8, the p-value (Asymp. Sig-2 sided) is more than 0.05. Hence, we fail to reject the null hypothesis H01 at 5% level of significance. So, the problem of competition from commercial banks is independent of the type of bank. It means that the officials of both banks agree about the competition from a commercial bank.

Table 8. Findings of Chi-Square

Chi-square value	df	P-value
8.60	4	0.0719

Source: developed by authors.

They are managing the Problems of Deposit Mobilization. An attempt has been made to study how the staff of these two regional rural banks has managed the problem of deposit mobilization. The steps taken by these bank officials have been given in Table 9. The bank officials have given personal attention to each customer, provided them with better facilities and even made a door-to-door collection of money from the depositors.

Table 9. Managing the problems of deposit mobilization

Steps Taken	Frequency
Giving personal attention to each customer	32
Providing better facilities to customers	34
To make a door-to-door collection of money	7
None of the above	-
All the above	23

Source: developed by authors.

It is observed that 24 per cent of bank officials have taken all these steps to mobilized bank deposits. Thirty-five per cent bank officials provided better facilities, 33 per cent of bank officials gave the personal attention to each customer, and 7 per cent officials made a door-to-door collection of money. The bank officials have made earnest efforts to mobilize deposits from the public by giving proper importance to each client.

The critical function of these regional rural banks is to provide credit and loan keeping in view the main objectives of setting up of these banks. The bank officials are making efforts to extend credit facilities in rural areas to uplift the people economically. In order to expand credit in the rural areas of the state, the bank officials are giving advertisement through pamphlets, television, assisting the beneficiaries in fulfilling the legal formalities and asking the beneficiaries to tell other people about the benefits of loan drawn from these banks. The response of bank officials has been given in Table 10.

Table 10. Efforts for credit expansion

Efforts for credit expansion	Frequency
Give advertisement through pamphlets	24
Give advertisement through television	2
Co-operative nature in fulfilling legal formalities	15
Asking beneficiaries to tell other people about the benefits of loan	32
All the above	23

Source: developed by authors.

It has been observed that 24 per cent of bank officials have taken all these steps to provide more loans and credit to rural people. Twenty-five per cent of bank officials has given the only advertisement through pamphlets to educate the people about the availability of the loan facilities from these banks. The other 15 per cent of bank officials have extended full cooperation to the beneficiaries to fulfil legal formalities. The bank officials are taking interest to expand the credit base of these banks. Despite various steps taken to motivate the people to take financial assistance from these regional rural banks, the bank officials are facing difficulty in extending the loans and advances in rural areas. These are shown in Table 11.

Table 11. Bank officials facing problems in credit expansion (rank one for the most challenging problem, second for other and so on)

Ranks	Problems			
	Lack of knowledge among the people about the procedure of taking of loan	Competition from other commercial banks	People ignore bank loan due to the high rate of interest they have to pay	The complicated procedure of taking the loan
1	23	36	10	27
2	54	18	12	12
3	16	19	41	20
4	3	23	33	37
Total	96	96	96	96

Source: developed by authors.

The main problems faced in extending the loans and advances by the banking staff are lack of knowledge among the people about the procedure of taking the loan, competition from other commercial banks, a feeling among people that rate of interest is a high and complicated procedure of taking the loan. Among these problems, lack of knowledge among the people about the procedure of taking of loan seems to be the most prominent problem as these problems have been assigned first and the second rank by 23 and 54 bank officials respectively. The other significant problem is the competition from other commercial banks as 36 and 18 bank officials have assigned rank one and rank two to it. The next problem is the problematic procedure of taking a loan from these banks as 27 and 12 bank officials have assigned a first and second rank to it. The high rate of interest is the next significant problem.

H02: Problem of lack of knowledge in customers about loan procedure is independent of the type of bank (Table 12).

Table 12. Cross-tabulation: lack of knowledge about the loan procedure for different type of bank

Lack of knowledge about the loan procedure	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Total
Aryavart Bank	14	31	5	1	0	51
Purvanchal Bank	9	23	11	2	0	45
Total	23	54	16	3	0	96

Source: developed by authors.

As shown in Table 13, the p-value (Asymp. Sig-2 sided) is more than 0.05. Hence, we fail to reject the null hypothesis H02 at 5% level of significance. So, the problem of lack of knowledge in customers about loan procedure is independent of the type of bank. It means that the officials of both banks agree about the ignorance of customer about loan procedure.

Table 13. Findings of Chi-square

Chi-square value	df	P-value
6.24	4	0.182

Source: developed by authors.

H03: Problem of a complicated procedure of taking a loan is independent of the type of bank (Table 14).

As shown in Table 15, the p-value (Asymp. Sig-2 sided) is more than 0.05. Hence we fail to reject the null hypothesis H03 at 5% level of significance. So the problem of a complicated procedure of taking a loan is independent of the type of bank. It means that the officials of both banks agree about their complicated loan procedure.

Table 14. Cross-tabulation: difficult procedure of taking the loan for a different type of bank

The complicated procedure of taking the loan	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5	Total
Aryavart Bank	18	7	9	17	0	51
Purvanchal Bank	9	5	11	20	0	45
Total	27	12	20	37	0	96

Source: developed by authors.

Table 15. Findings of Chi-square

Chi-square value	df	P-value
3.52	4	0.474

Source: developed by authors.

They are managing the Problems of Credit Expansion. In order to overcome these problems faced in credit expansion, the steps taken by the staff of these banks have been listed in Table 16.

Table 16. Managing the problems of credit expansion

Steps were taken	Frequency
Giving personal attention to each beneficiary	32
To help them in fulfilling the legal formalities for taking the loan	19
Providing better facilities to beneficiaries	21
None of the above	-
All of the above	24

Source: developed by authors.

These steps include personal attention to each beneficiary, helping them in fulfilling the legal formalities for taking loans and advances and providing better facilities. 25% of the bank officials have taken all these steps to motivate the borrowers to take loans and advances from these banks. Thirty-three per cent of bank officials have given personal attention to each beneficiary for taking financial assistance. Another 21 per cent of bank officials have provided better facilities to beneficiaries, while 19 per cent of bank officials extended help in fulfilling the legal formalities.

Sanctions and Recovery of Loan. Problems Faced by Bank Officials at the Time of Sanction of Loan. The process of sanctioning of loan is not smooth. The bank officials faced many problems at the time of sanction of loan. The problems faced by the bank officials at the time of sanction of loan have been shown in Table 17.

Table 17. Biggest problem faced by bank officials at the time of sanction of loan

Problems	Frequencies
Not fulfilling legal formalities properly	38
Non-availability of a reliable witness	12
Lack of creditworthiness of borrowers	16
Methods of repayments of instalments	4
All of the above	26

Source: developed by authors.

39.5 per cent of bank officials reported that beneficiaries had not fulfilled the legal formalities properly. Another problem reported by 16 per cent of bank officials has been the lack of creditworthiness of borrowers. 12.5 per cent of bank officials have reported Non-availability of a reliable witness. Just 4 per cent of bank officials have reported the difference in the methods of repayment of instalments. Twenty-seven per cent bank officials have faced all of the above problems at the time of sanction of loan.

Problems faced at the time of Recovery of Loan. Timely recovery of loan is also equally crucial for the survival and growth of these banks. However, the bank officials faced many problems at the time of recovery of the loan. The problems faced by bank officials at the time of recovery of loan have been listed in Table 18.

Table 18. Problems faced at the time of recovery of loan

Problems	Frequencies
The wilful intention of borrowers not to pay	37
Borrowers changes address/telephone/mobile numbers	20
Some natural exigencies, i.e. Accident, Death, Disease	12
Distance between the bank and the place of borrowers	22
All of the above	5

Source: developed by authors.

About 38.5 per cent of bank officials reported wilful intention of the borrower not to pay as the top problem faced at the time of loan recovery. Other significant problems are the distance from the branch, change in address, telephone / mobile numbers and natural exigencies as the main problems for the recovery of the loan. About 5 per cent of bank officials reported that the borrowers have been using all the above tactics to delay the payment of bank loans.

Overall Opinion Regarding the Working of Regional Rural Banks. The classification of bank official's opinion based on topics regarding the working of regional rural banks is given in Table 19.

Table 19. Overall opinion regarding working of Regional Rural Banks

Variables	Yes	No	Total
Do you use local language	94	2	96
Do you think that there is political interference in the function of the bank	42	54	96
Are Regional Rural Banks successful in the development of the rural area	82	14	96
Do Regional Rural Banks have the potential to survive in the future	72	24	96
Should the branches of Regional Rural Banks be transferred to the urban area	55	41	96
Should the Regional Rural Banks open more branches in the rural area	91	5	96
If the bank officials should attend social functions at the villages	85	11	96
Is it a solution to insult customers in case of non-payment of loans	6	90	96

Source: developed by authors.

The working of these regional rural banks is proper, in the opinion of these bank officials. They are making use of local language with rural people according to 98 per cent bank officials. About 44 per cent of bank officials feel that political interference is minimum in the working of these banks. Eighty-five per cent of officials believe that regional rural banks are successful in the development of rural areas. Seventy-five per cent officials feel that the regional rural banks have the potential to survive in future and about 95 per cent officials feel that these regional rural banks shall open more branches in the rural areas. Fifty-seven per cent of officials feel that the branches of these banks shall be opened in urban areas. The overwhelming number of officials (94 per cent) feel that the customers should not be insulted for non-payment of loans. Thus, the opinion and attitude of the bank officials are positive concerning the performance of these banks.

H04: Political interference in the bank functioning is independent of the type of bank (Table 20).

Table 20. Cross-tabulation: political interference in the bank functioning for a different type of bank

Political interference in the bank functioning	Yes	No	Total
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Aryavart Bank	28	23	51
Purvanchal Bank	14	31	45
Total	42	54	96

Source: developed by authors.

As shown in Table 21, the p-value (Asymp. Sig-2 sided) is less than 0.05. Hence, we have to reject the null hypothesis H04. So, the opinion of political interference in the bank functioning is dependent on the type of bank. It means that the officials of one bank agree that there is political interference in the bank functioning.

Table 21. Chi-square table

Chi-square value	df	P-value
28.52	1	<.0001

Source: developed by authors.

H05: Opinion of Regional Rural Banks have the potential to survive in the future is independent of the type of bank (Table 22).

Table 22. Cross-tabulation: opinion of Regional Rural Banks has the potential to survive in the future for a different type of bank

The opinion of Regional Rural Banks has the potential to survive in the future	Yes	No	Total
Aryavart Bank	43	8	51
Purvanchal Bank	29	16	45
Total	72	24	96

Source: developed by authors.

As shown in Table 23, the p-value (Asymp. Sig-2 sided) is higher than 0.05. Hence, we cannot reject the null hypothesis H05 at 5% level of significance. So, the opinion of Regional Rural Banks has the potential to survive in the future is independent of the type of bank. It means that the officials of both banks agree that Regional Rural Banks are on the growth path, and the future seems bright for them.

Table 23. Chi-square of variables

Chi-square value	df	P-value
3.81	1	0.051

Source: developed by authors.

Conclusions. The rural people are engaged in a different type of productive activities such as agriculture, business, small scale and cottage industries, services and another type of allied activities. The experience, as well as the evidence, shows that Regional Rural banks are more suitable than the commercial bank branches in the rural areas. These banks concentrate not only their banking activities in rural areas but also give special attention to the weaker sections. It was found that the employees and staff of these two regional rural banks in the state are making their earnest effort to channelize the savings of rural people by mobilization of deposits by motivating them to deposit their surplus money in the regional rural banks. Another essential function of these regional rural banks is to provide credit and loan keeping because of the main objectives of setting up of these banks. The bank officials are making efforts to extend credit facilities in rural areas to uplift the people economically. The bank officials are facing problems in deposit mobilization and credit expansion even in the rural areas of the state, and they are managing these problems very efficiently. The working of these regional rural banks is proper, in the opinion of these bank officials. They are making use of the local language with rural people. There is some political interference

in the functioning of some banks, which, if removed, can lead further to their prosperity in the opinion of most bank officials. The results of the research can be useful for policymakers in the government to understand the hurdles faced by regional rural banks in reaching to the poor and needy sections of the society. The insights from this paper can help the policymakers to craft innovative schemes which enable these banks to reach the most inaccessible customers in rural areas. Further research is required in other regional rural banks in various Indian states to get a clearer picture so that proper measures can be taken by the government to identify and reach the isolated customers in rural areas. Until then, the target of financial inclusion will remain a dream.

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Аніс ар Рехман, Ph.D., доцент, Університет в Хаїлі (Саудівська Аравія).

Інновації та управління регіональними провінційними банками для досягнення фінансової інклюзії в Індії: виклики та перспективи

*У статті проаналізовано специфіку управління та впровадження інновацій у регіональних провінційних банках (РРБ) Індії. Автором зазначено, що РРБ це фінансові установи, що функціонують у регіональних та сільських територіях з метою задоволення потреб у кредиті віддалених та соціально вразливих верст населення. У статті систематизовано інноваційні методи дослідження з метою виявлення бар'єрів та дестимуляторів розвитку кредитування клієнтів у сільській місцевості. Емпіричне дослідження проведено на основі панельних даних, сформованих для вибірки з 96 працівників індійських банків *Aryavart bank* та *Purvanchal Bank*, які функціонують у сільській місцевості регіону Уттар Прадеш. Для перевірки висунутих гіпотез та статистичної значущості результатів застосовано тест для перевірки частоти та χ^2 -квадрат. Результати дослідження емпірично підтвердили, що співробітники досліджуваних РРБ впроваджують низку інструментів для мотивації сільського населення розміщати їх заощадження на депозитах банку та користуватись банківськими послугами з кредитування. Встановлено, що менеджмент банків сформували низку промоційних та консультаційних акцій з метою розширення кредитних програм у сільських місцевостях з метою покращення економічного добробуту населення. Автором наголошено, що співробітники банків ефективно вирішують поточні проблеми щодо мобілізації депозитів та розширення кредитних програм у сільській місцевості. У ході опитування виявлено політичне втручання у функціонування досліджуваних РРБ. При цьому емпіричні результати свідчать про ефективність проведених просвітницьких заходів РРБ щодо підвищення рівня фінансової грамотності сільського населення Індії. Визначено, що РРБ – потужний медіатор між сільським населенням та банківськими послугами. Таким чином, отримані результати дослідження можуть бути прийняті до уваги політичними діями при розробці інноваційних схем залучення малозабезпечених верств населення до користування послугами РРБ.*

Ключові слова: регіональні провінційні банки, мобілізація вкладів, кредитна експансія, розширення доступу до фінансових послуг, стягнення кредиту.

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